

RAILROAD SUPPLIER DIVERSITY REPORT
PREPARED BY
THE ILLINOIS RAILROAD ASSOCIATION
AND SUBMITTED TO THE
ILLINOIS COMMERCE COMMISSION
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Pursuant to Public Act 100-0423 the Illinois Railroad Association submits this report on behalf of the Class 1 freight railroads operating in Illinois. This filing is based on information provided to the Illinois Railroad Association by the following Class 1 railroads:

- BNSF
- CN
- Canadian Pacific (CP)
- CSX
- Kansas City Southern (KCS)
- Norfolk Southern (NS)
- Union Pacific (UP)

The Illinois Railroad Association is an association of freight railroads and railway suppliers.

There are more than 50 freight railroads operating in Illinois over more than 7,000 miles of track, with more than 13,000 employees earning an average salary of \$110,000 per year.

Illinois is the only state where all seven Class 1 railroads operate—five American railroads (BNSF, CSX, KCS, NS and UP) and two Canadian railroads (CN and CP).

Freight railroads are privately owned...most are publicly-traded corporations.

Freight railroads own and maintain the property over which they operate, including railroad yards and the railroad rights of way.

As the owners of property, railroads are some of the largest property taxpayers in the state.

The property and the infrastructure (including the railroad track and the lights and gates at railroad grade crossings) are maintained by the railroads at their own expense without government assistance. Railroad operations are not subsidized by state or federal government.

By spending billions of private dollars to sustain, modernize, and grow the freight rail network, freight railroads are easing the burden on taxpayer-funded transportation systems (bridges, ports, and roads) and the taxpayers who pay for them.

In fact, since 1980, freight railroads—not taxpayers—have spent more than \$630 billion to build the safe and efficient network that exists today. In 2017, the railroad industry spent more than \$22 billion in capital expenditures.

For the most recently completed four-year period, freight railroads operating in Illinois spent in excess of \$4 billion in capital expenditures. That does not include payroll, philanthropic giving, and state and local taxes--just infrastructure.

Railroads are the backbone of the American economy because of the safe and efficient freight transportation system they have built and maintain. Furthermore, there would be no passenger rail transportation system were it not for freight railroads. Except for the northeast, the majority of passenger and commuter rail (including Amtrak and Metra) operate over tracks owned and maintained by freight railroads.

Freight railroads are extensively regulated by the federal government. Because of the nature of the railroad business, railroads are held to the highest safety standards. It is, therefore, imperative that railroads employ and contract with only the most qualified, highly-trained individuals.

The jobs that support railroads are wide ranging: from engineering and dispatching to law enforcement and information technology to industrial development and more. More than 85% of the railroad industry work force is agreement employees (i.e., union employees). These highly-skilled professionals average \$120,900 per year in salary and benefits. This skilled workforce is trained by the respective railroads, and therein completes the vast majority of engineering, construction, and maintenance work required for railroad operations.

Although not really considered a “consumer,” railroads purchase a significant amount of fuel, telecommunications equipment, tie plates, ties, automobiles, and heavy equipment, etc....much of which is manufactured/built in the United States.

Research from Towson University's Regional Economic Studies Institute found that in 2014 alone, major U.S. railroads supported approximately 1.5 million jobs, nearly \$274 billion in annual economic activity, and almost \$88 billion in wages and \$33 billion in tax revenues. Furthermore, railroads transport 35% of all U.S. exports.

Railroad suppliers play a critical role in keeping freight rail safe and efficient. Suppliers across the nation provide complex communications and signaling systems, mechanical and maintenance equipment, railcars, locomotives, and all the components necessary to keep U.S. freight railroads moving across their private 140,000-mile network. America's railroad suppliers include large and small manufacturers and represent a \$28 billion a year industry that supports more than 100,000 American workers.

American railroads are committed to a procurement process that provides opportunities for all suppliers, regardless of any social or economic distinction. Our objective is to procure the needed materials, supplies, and services from the best sources through the competitive bidding process. To that end, railroads seek out and establish business relationships regardless of race, color,

national origin, religion, gender, sexual orientation, age, gender identity, veteran status, or disability.

All Class 1 railroads operate in multiple states. Their rail networks are typically seamless between those states. Employee and supplier hiring and contracts are centralized and are done on a system/network-wide basis. For that reason, railroad employee and supplier information is not available by state.

As a general rule:

- All American railroads have formal supplier diversity programs, which are integrated with their overall diversity and inclusion strategy.
- American railroads report their spend with diverse owned suppliers certified by a recognized agency/council.
- When partnering with public agencies in a public-private partnership project which involves public funding, Class 1 railroads comply with the respective public funding provider's procurement and reporting requirements. (The CREATE program is an example.)
- American railroads track diverse spend by ethnicity.
- Categorizes of diverse spend with prime suppliers:
 - Minority
 - Woman
 - Veteran
 - Small Disadvantaged Business
 - HubZone
- The total annual diverse spend among American Class 1 railroads is more than \$1.5 billion.
- Many American railroads track Tier 2 (sub-contractor) diverse spend.

American railroads are affiliated with certification agencies/councils at the local, regional and national levels that include:

- National:
 - National Center for American Indian Enterprise Development (NCAIED)
 - National Minority Supplier Development Council (NMSDC)
 - U.S. Hispanic Chamber of Commerce (USHCC)
 - U.S. Pan Asian American Chamber of Commerce (USPAACC)
 - Women's Business Enterprise Council (WBENC)

- Regional/Local:
 - Agenda for Building Capacity
 - Hispanic Contractors Association
 - Women's Business Development Center
 - Twenty-Three Regional Affiliates of NMSDC
 - Five Regional Councils of USPAACC
 - Two Hundred Local Chambers of USHCC
 - Fourteen Regional Partner Organizations of WBENC
 - Hispanic American Construction Industry Association (HACIA)
 - Federation of Women Contractors

In 2017, American Class 1 railroads hosted, sponsored, or participated with supplier partners and organizations in nearly 60 events.

America's Class 1 railroads pride themselves on nurturing an inclusive culture where every member of the workforce feels welcome and respected. Railroads will continue to seek ways to improve and expand diversity in our employee workforce and the suppliers with whom we contract.

Class 1 railroad websites:

- BNSF – www.bnsf.com
- CN – www.cn.ca
- Canadian Pacific – www.cpr.ca
- CSX – www.csx.com
- Kansas City Southern – www.kcsouthern.com
- Norfolk Southern – www.nscorp.com
- Union Pacific – www.up.com

For specific railroad supplier and supplier diversity links, please visit www.illinoisrailroadassociation.com and click on "Industry News & Links."

Respectfully submitted,

Joseph Ciaccio
 President, Illinois Railroad Association
 April 17, 2018